



Maintaining Quality Tax Services in the 2012 Filing Season

Comments on the 2012 Tax Return Filing Season for the House Ways & Means Subcommittee on Oversight

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Chairman Boustany, Ranking Member Lewis and Members of the House Ways and Means Subcommittee on Oversight: Thank you for the opportunity to share our thoughts on tax-filing matters and Internal Revenue Service (IRS) operations, in conjunction with your March 22 hearing on these subjects.

The National Community Tax Coalition (NCTC) is the nation's largest, most comprehensive network of community-based providers offering free tax preparation and financial services to low- and moderate-income working families through Volunteer Income Tax Assistance (VITA). In the 2011 filing season, our member organizations operated more than 6,200 Community VITA sites that leveraged the help of more than 53,000 trained and certified volunteers throughout the country. These efforts helped households meet their tax obligations by filing about 1.5 million federal returns, obtaining more than \$2 billion in tax refunds.

In our comments, we'd like to briefly address three main points:

- NCTC and Community VITA programs have approached this filing season with a heightened commitment to accuracy and quality for the taxpayers we serve.
- We identified and expressed concerns about service problems experienced by taxpayers early in this filing season, but are encouraged by the progress IRS is making in responding to many of these challenges.
- The IRS cannot adequately handle its increasing responsibilities with fewer resources.

NCTC and Community VITA programs have approached this filing season with a heightened commitment to accuracy and quality for the taxpayers we serve. This is particularly important in light of last year's annual audit of the VITA program by the Treasury Inspector General for Tax Administration (TIGTA).

The TIGTA audit raised several concerns about quality and accuracy in a review of 36 returns that were filed by VITA and Tax Counseling for the Elderly (TCE) sites. These concerns were treated very seriously by both the VITA field and the IRS Stakeholder Partnerships, Education and Communication (SPEC) office, which oversees the VITA program.

Corrective actions were taken immediately when auditors uncovered problems during the 2011 filing season; these included mid-season closures of three tax preparation sites. IRS SPEC implemented – and the VITA field voluntarily adopted – several other important actions for this filing season to ensure high standards and the best quality of services for taxpayers, including:

- **New ethics requirements for VITA providers** – To curb future instances of inappropriate behavior, SPEC adopted mandatory ethics training for all VITA volunteers and certified staff, who are also now required to pass an ethics exam. The training and exam have been successfully implemented throughout the VITA field.
- **NCTC Quality Pledge** – In the wake of the TIGTA report, NCTC's Quality Assurance Working Group helped develop a new Quality Pledge for the VITA field. It allows programs and volunteers to publicly reaffirm their commitments to quality and accurate tax-return preparation. Several programs have directly responded to NCTC with their commitments and have been featured in our publications and on our website; NCTC is now moving to make Pledge commitments a mandatory part of our affiliates' membership and membership-renewal processes.
- **2012 NCTC "Formula Five for the Field"** – NCTC annually releases to VITA programs our collective recommendations for ensuring continued improvements in quality of services to taxpayers. This year's recommendations were:
 1. **100% Quality Review** – It is critical that every single tax return is properly reviewed, as required by regulations, and all reviewer checklists are completed.
 2. **Quality Review Procedures and Training** – All sites have developed and implemented clear procedures for review and have provided staff and volunteers with practical training on these procedures.
 3. **Utilize Quality Review Results** – Programs should recognize and respond swiftly to any errors in tax preparation, as they occur, and use quality reviews for ongoing volunteer training throughout the season.
 4. **Research Tax Issues** – Staff are staying on top of the latest tax information and disseminating new information as it arises, to keep volunteers well-informed and well-educated, eliminating guesswork in tax preparation.
 5. **Limit Tax Issues** – It is crucial that the only returns prepared are those within the scope of knowledge of volunteers and the level of expertise at the site.

For a more complete picture of SPEC's responses to audit concerns – as well as other positive actions taken by SPEC – we would refer you to the full TIGTA audit, which is posted online at www.treasury.gov/tigta/auditreports/2011reports/201140094fr.pdf. NCTC would like to reiterate our members' commitment to quality, accuracy and high standards in our important work of helping low- and moderate-income, working families to meet their tax obligations.

We take great heart in the fact that the IRS' own, statistically valid review of 724 returns prepared by VITA – known as the Quality Statistical Sample – revealed an 87 percent accuracy rate for the entire population of tax returns prepared at volunteer sites last year, reflecting a 2 percentage-point increase from the previous year. In fact, evaluations consistently rank VITA's accuracy rates among the highest rates for all types of tax preparation services. Our goal is to continue building upon such successes, for the well-being of the individuals and families served by VITA – work benefitting greatly from the support of Congress.

We identified and expressed concerns about service problems experienced by taxpayers early in this filing season, but are encouraged by the progress IRS is making in responding to many of these challenges.

As filing began in mid-January, some taxpayers seeking information about free tax preparation from the IRS hotline established for that purpose were experiencing delays of up to 50 minutes in having their calls answered. Others could not find the information they needed on the IRS web page designed for that purpose.

NCTC raised these matters with the IRS and SPEC leadership, and – by early February – some improvements already were noted. Hotline wait times appear to have shrunk considerably, and the online VITA locator page no longer is missing entire states' worth of site information.

We applaud these improvements and other positive steps the IRS has taken to deal with such challenges as computer-driven delays in taxpayer refunds. We pledge to work with the agency to apply lessons already learned from this tax season toward the improvement of filing in 2013, and we already have shared with the IRS several relevant ideas. These include further upgrades in the VITA hotline, as well as upgrading the "IRS2Go" mobile-device application with VITA-location functionality to provide low- and moderate-income taxpayers with another avenue for finding free tax-filing assistance.

The IRS cannot adequately handle its increasing responsibilities with fewer resources.

Finally, as IRS representatives have related, their workload and obligations are increasing even as their budget has been cut. The agency has about 5,000 fewer employees today than just a few short years ago – about 3,000 fewer enforcement staff and 2,000 fewer in taxpayer services. Obviously, these moves cannot come without ill effects. Through March 3, Taxpayer Assistance Centers had served 5 percent fewer taxpayers than they had the previous year, and are actively referring people to VITA sites for help. VITA is forced to shoulder increasing responsibilities when TACs and other assistance are unable or unavailable to help taxpayers – even though VITA's own federal resources are not growing, and its state and local dollars are being slashed.

We urge Congress to avoid further cuts in the IRS, and instead to invest further in the agency and its capacity and services for helping taxpayers to comply with their responsibilities. A strong IRS supports the collection of a strong revenue stream, which is more necessary than ever to sustain a strong nation.